ANNUAL REPORT

FRESHWATER FISH MARKETING CORPORATION

1990-1991

FRESHWATER FISH MARKETING CORPORATION
1199 Plessis Road
Winnipeg, Manitoba, Canada R2C 3L4

OFFICE DE COMMERCIALISATION DU POISSON D'EAU DOUCE
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July 31, 1991

The Honourable John C. Crosbie, P.C., M.P.
Minister of Fisheries and Oceans
Ottawa, Ontario
K1A 0E6

Dear Mr. Crosbie:

I have the honour to submit herewith the Annual Report for the Freshwater Fish Marketing Corporation for the fiscal year ended April 30, 1991.

Yours very truly

Maurice Blanchard

Maurice Blanchard

FRESHWATER FISH MARKETING CORPORATION
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Canada

FRESHWATER FISH MARKETING CORPORATION
ANNUAL REPORT 1991

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DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Maurice Blanchard, Chairman
Tom Dunn, President and General Manager
Peter D. Allen
Claudette Bourrier
Ray Fleming
Ed Isfeld
Jesse Klassen
William Monkman
David N.S. McArthur
Lenora Midgett
Douglas J. Sayers

ADVISORY COMMITTEE

Robert Krisjanson, Chairman
Alex Bickel
Annie Bird
Gordon Caudron
William R. Cordell
Raymond Dupres
Bessie Irvine
Helgi Jones
Jane Mayo
William Quequish
Phillip Tinker
Joe Tsannie
Garnet Kjartanson
Don Wright

OFFICERS

Tom Dunn	- President and General Manager
Peter R. Smith	- Vice-President, Marketing
Gerald McCurley	- Vice-President, Production
Bruce Popko	- Field Operations Managers
Gabriella Bradics	- Controller

REPORT OF THE PRESIDENT

Sales and profits in 1990 - 1991 showed a slight improvement over the previous year mainly as a result of slowly strengthening markets for fish and seafood. Results were adversely affected by a dramatic drop in production of Pickerel, Sauger and Northern Pike which led to product shortages and lost sales opportunities. In addition, the effect of substantially lower production volumes absorbing the fixed processing plant overheads also had a negative effect on profits.

The reduced catches occurred in the spring, fall and winter fisheries and seemed to be mainly weather related. The corporation will do everything within its control to increase production in 1991-1992.

PURPOSE AND OBJECTIVES

The Corporation was established in 1969 by the Freshwater Fish Marketing Act for the purpose of marketing and trading in fish and fish products. "The Corporation has the exclusive right to market and trade in fish in interprovincial and export trade and shall exercise that right, either by itself or by its agents with the object of:

a) marketing fish in an orderly manner;
b) increasing returns to fishermen; and
c) promoting international markets for and increasing interprovincial and export trade in fish."

Participation of the provinces of Manitoba, Saskatchewan, Alberta, Ontario and the Northwest Territories was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in schedule III, part 1 to the Financial Administration Act and is required to conduct its operations on a self-sustaining basis without appropriations from Parliament.

As its central objective is to achieve the greatest possible economic returns to the aggregate of commercial fishermen with respect to their commercial fisheries production, all activities of the Corporation are to this end. The Corporation remains cognizant of the social implication of its actions, but will not assume cost components attributable specifically to accommodating social considerations.

If any Provincial or Federal Government department or agency undertakes to impose social considerations into the Corporation's operations for the purpose of achieving objectives at variance with the greatest possible economic returns to the aggregate of fishermen, then that department or agency must bear the associated costs.

REPORT ON THE MAJOR SPECIES

Whitefish

Production and market demand were well balanced in 1990-1991 for Whitefish. Inventory levels were adequate most of the year and the voluntary reduction program which was in place during 1990-1991 will be eliminated in 1991-1992. Selling prices remained steady through the year.

Pickerel

After several years of high production levels, higher than desirable inventory levels, and the resulting need for special sales incentives, the 1990-1991 catch dropped 20%. This, combined with steady sales returns, led to product shortages. On the positive side, this allowed selling prices to firm up but overall, the lack of product availability was negative.

Sauger

After three years of record landings, 1990-1991 saw a 20% reduction in deliveries. This, combined with steady sales, resulted in product shortages towards the end of the year.

Northern Pike

Northern Pike production dropped 25% from the previous year also resulting in shortages of products.

Lake Trout

In 1990-1991 there was a good balance between production and market requirements with year end inventories at desirable levels. Future prospects for this species continue to be adversely affected by the oversupply and resulting low prices for salmon, both wild-caught and farm-raised.

FIVE YEAR HISTORICAL SUMMARY
(MILLIONS $)

	fiscal year ended April 30				
	1987	1988	1989	1990	1991
SALES	58.6	58.1	55.1	49.4	52.1
NET INCOME BEFORE FINAL PAYMENTS	14.0	16.2	8.3	2.0	2.2
INITIAL PAYMENTS TO FISHERMEN	22.6	26.5	28.7	25.0	21.1
NET INCOME PLUS INITIAL PAYMENTS TO FISHERMEN	36.6	42.7	37.0	27.0	23.3
ACCOUNTS RECEIVABLE- TRADE	4.8	5.9	6.2	6.1	5.0
INVENTORY- FINISHED FISH PRODUCTS	5.4	8.9	11.4	10.5	1.3
INVENTORY- PACKAGING MATERIAL & PARTS	1.0	1.2	1.3	1.5	1.2
FIXED ASSETS- NET BOOK VALUE	6.7	6.8	8.0	8.8	9.2
LOANS FROM GOVERNMENT OF CANADA	.9	2.0	14.0	21.0	9.9
RETAINED EARNINGS	2.2	2.7	3.0	3.3	3.6

FIVE YEAR HISTORICAL SUMMARY
LANDINGS IN ROUND WEIGHT
(MILLIONS of POUNDS)

	fiscal year ended April 30				
	1987	1988	1989	1990	1991
WHITEFISH	17.7	15.1	16.4	13.6	13.5
PICKEREL	9.6	8.1	10.2	10.9	8.7
SAUGER	3.1	6.1	6.1	5.9	4.8
NORTHERN PIKE	7.7	8.7	8.1	7.3	5.5
LAKE TROUT	1.6	1.4	1.7	1.6	.9
TULLIBEE	.8	.6	.5	.2	.2
ARCTIC CHAR	.1	.1	.2	.2	.2
MULLET	2.9	4.1	2.2	3.4	2.1
CARP	1.3	1.1	.9	.7	1.5
ALL OTHERS	.7	.9	1.6	1.7	1.5
TOTALS	45.5	46.2	47.9	45.5	38.9

Report to the
Minister of Fisheries and Oceans
on the audit of the
accounts and financial statements of the
FRESHWATER FISH MARKETING CORPORATION
for the year ended April 30, 1991

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1991 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Freshwater Fish Marketing Act and by-laws of the Corporation.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 19, 1991

FRESHWATER FISH MARKETING CORPORATION

Balance Sheet
as at April 30, 1991

	1991	1990
ASSETS		
Current		
Cash	$ -	$ 1,530,515
Accounts receivable		
Trade	4,303,373	6,143,049
Other	1,872,087	1,398,743
Loan receivable (note 3)	69,000	-
Inventories		
Finished fish products	1,265,111	10,487,905
Packaging material and parts	1,172,973	1,510,070
Prepaid expenses	82,575	89,801
	8,765,119	21,160,083
Loan receivable (note 3)	592,250	-
Property, plant and equipment (note 4)	9,233,190	8,839,341
	$ 18,590,559	$ 29,999,424
LIABILITIES		
Current		
Bank indebtedness	$ 418,218	$ -
Loan payable (note 6)	69,000	-
Accounts payable	2,077,805	2,864,384
Accrued interest payable	3,335	1,051,897
Working capital loans from Canada (note 5)	9,900,000	21,055,819
Provision for final payments to fishermen	2,089,340	1,734,055
	14,557,698	26,706,155
Loan payable (note 6)	598,000	-
	15,155,698	26,706,155
EQUITY		
Retained earnings	3,434,861	3,293,269
	$18,590,559	$29,999,424

Approved by the Board:

Director

Director

FRESHWATER FISH MARKETING CORPORATION

Statement of Income and Retained Earnings
for the year ended April 30, 1991

	1991	1990
Sales		
Domestic	$10,301,775	$ 8,642,769
Export	41,764,929	40,744,330
	52,066,704	49,387,099
Expenses		
Cost of sales	44,566,322	41,829,672
Interest (note 7)	1,633,522	2,027,250
Amortization	1,570,199	1,373,197
Salaries and employee benefits	1,051,654	1,009,081
Bad debts	142,679	62,447
Other	871,396	1,081,354
	49,835,772	47,383,001
Income before provision for final payments to fishermen	2,230,932	2,004,098
Provision for final payments to fishermen	2,089,340	1,734,055
Net income for the year	141,592	270,043
Retained earnings at beginning of the year	3,293,269	3,023,226
Retained earnings at end of the year	$ 3,434,861	$ 3,293,269

FRESHWATER FISH MARKETING CORPORATION

Statement of Changes in Financial Position
for the year ended April 30, 1991

	1991	1990
Cash provided by (used for)		
Operating activities		
Net income for the year	$ 141,592	$ 270,043
Add (deduct) items not affecting cash		
Amortization	1,570,199	1,373,197
Gain on sale of capital assets	(26,171)	(22,945)
Net changes in non-cash working capital balances relating to operations	9,098,308	1,369,760
Cash provided by operations	10,783,928	2,990,055
Investing activities		
Loan receivable	(592,250)	-
Additions to property, plant and equipment	(2,009,834)	(2,256,174)
Proceeds on sale of property, plant and equipment	71,957	40,117
Cash used for investing activities	(2,530,127)	(2,216,057)
Financing activities		
Loan payable	598,000	-
Increase (decrease) in working capital loans from Canada	(11,155,819)	7,055,819
Contributions for plant and equipment	-	28,727
Cash provided by (used for) financing activities	(10,557,819)	7,084,546
Increase (decrease) in provision for final payments to fishermen	355,285	(6,224,751)
Increase (decrease) in cash during the year	(1,948,733)	1,633,793
Cash (bank indebtedness) at beginning of year	1,530,515	(103,278)
Cash (bank indebtedness) at end of year	$ (418,218)	$ 1,530,515

FRESHWATER FISH MARKETING CORPORATION

Notes to Financial Statements
April 30, 1991

1. Authority, objectives and operations

The Corporation was established by the Freshwater Fish Marketing Act in 1969, as a corporation without share capital, for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is an agent Crown corporation named in Schedule III, Part I of the Financial Administration Act and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta and Ontario and the Northwest Territories was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventories

Finished fish products are valued at the lower of cost and net realizable value. Packaging material and parts are valued at the lower of cost and replacement cost.

Amortization

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5 - 10%
	- Plants	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length up to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the cost of sales. A guide used in the determination of the initial price is 80% of the projected total payments to fishermen (initial plus final), based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to operations of the current year.

Foreign currency translation

Amounts receivable and payable denominated in foreign currency are translated into Canadian dollars at the year-end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transactions. Foreign exchange gains and losses are included in interest expense.

Contributions

Contributions earned in respect of property, plant and equipment are credited to the cost of the assets; those received in respect of job creation programs are credited against salaries and wages expense.

3. Loan receivable

The loan receivable is secured by various property, plant and equipment and matures in 1995.

4. Property, plant and equipment

	1991			1990
	Cost	Accumulated amortization	Net	Net
Land	$ 263,065	$ -	$ 263,065	$ 263,065
Buildings	6,268,397	2,955,491	3,312,906	3,096,887
Equipment	11,972,981	7,481,810	4,491,171	4,400,200
Fresh fish delivery tubs	2,631,092	2,071,213	559,879	647,389
Vessels	66,820	21,096	45,724	47,881
Leasehold improvements	422,499	409,065	13,434	24,367
Construction in progress	547,011	-	547,011	359,552
	$ 22,171,865	$ 12,938,675	$ 9,233,190	$ 8,839,341

5. Working capital loans from Canada

These loans are made under Section 16(1) of the Act and bear interest at 10.96% (1990 – 11.49%). They are secured by promissory notes.

6. Loan payable

The loan payable is repayable in monthly instalments of $5,000 U.S. and bears interest at 9%. The loan is unsecured and matures in 1995.

7. Interest expense

	1991	1990
Interest on working capital loans from Canada	$ 2,086,039	$ 2,054,426
Interest on loan payable	24,121	-
Losses on foreign exchange	1,609	60,874
Interest income	(478,247)	(88,050)
	$ 1,633,522	$ 2,027,250

8. Income taxes

The Corporation is eligible to deduct for tax purposes a portion of its eligible capital cost allowance, and accordingly has no taxable income for the year. At April 30, 1991, the excess of undepreciated capital cost over net book value of property, plant and equipment amounted to $2,560,840 (1990 — $2,702,432) which can be used to reduce future years' taxable income.

9. Remuneration to foreign agents

During the year, the Corporation paid an aggregate amount of $726,529 (1990 — $766,964) to the following foreign sales agents: Frohman International, Juhl Brokerage Incorporation, Associated Marketing Services Inc., R.M. Sloan Co., G&G Food Sales Company, Benolken Brokerage Company, X. Sea. Lnt International Corp., Performance Foods, Bocar Enterprises, Great Lakes Marketing, McMahon & MacDonald Food Brokers, D.B. Clark Sales, Kohlman Sales Co.- U.S.; I. LeGrand H. Malo et Cie - France; Lejos Oy - Finland; AB.P. Jorgensen - Sweden; Rud Kanzow Gmbh & Co. - Germany.

10. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.